

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 5480

INFO AMCONSUL BOMBAY

LIMITED OFFICIAL USE NEW DELHI 5932

E.O. 11652: N/A

TAGS: ENRG, EINV, IN

SUBJECT: GOI-CALTEX NEGOTIATIONS

1. ACCORDING TO CALTEX REPRESENTATIVE IN DELHI, THE GOI AND CALTEX HAVE NOW AGREED THAT OFFICIAL NEGOTIATIONS ON CALTEX TAKEOVER WILL COMMENCE ON APRIL 30. CALTEX HAS BEEN PROVIDED WITH GOI'S "NEGOTIATING GUIDELINES," I.E., GOI'S POSITION ON THE KEY ISSUES TO BE RESOLVED, AND HAS BEEN ASKED TO SEND NEGOTIATORS WITH SIGNING AUTHORITY.

2. WE HAVE BEEN TOLD THAT THE GUIDELINES STIPULATE THAT THE GOI WILL NOT RECOGNIZE CALTEX'S RE-EVALUATION OF ITS ASSETS, WHICH THE COMPANY PLACES AT ABOUT RS. 700 MILLION, BUT WILL OFFER ONLY THE BOOK VALUE AS OF DECEMBER 31, 1974, WHICH IS ABOUT RS. 140 MILLION.

3. ONCE THE AGREEMENT HAS BEEN FINALIZED, FOREIGN EXCHANGE PAYMENT IS TO BE MADE IN FIVE EQUAL ANNUAL INSTALLMENTS WITH THE FIRST ONE DUE 90 DAYS FOLLOWING THE SIGNING OF THE

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TAKEOVER. THE BALANCE IS TO DRAW EIGHT PERCENT INTEREST TAX

FREE. THE GUIDELINES, WHICH RELATE TO SUCH ISSUES AS PENDING COURT CASES AND COMPANY ASSETS AND LIABILITIES, APPEAR NON-CONTROVERSIAL.

4. IN CALTEX REPRESENTATIVE'S (AND OUR) VIEW, ONLY ISSUE OF SIGNIFICANCE IS VALUE OF ASSETS. SINCE GOI HAS ALREADY ESTABLISHED PRECEDENT ON THIS POINT IN NEGOTIATIONS WITH EXXON AND BURMAH SHELL, IT IS UNLIKELY THAT THERE WILL BE MUCH SUBSTANTIVE GOI "GIVE". ON THE POSITIVE SIDE, CALTEX APPEARS FINALLY TO HAVE ACCEPTED THE FACT THAT A SELL-OUT WILL TAKE PLACE AND IT IS SEEKING A SPEEDY AGREEMENT. GOI HAS ADDED "SWEETNER" IN FORM OF CONTRACT WHEREBY CALTEX WILL SUPPLY ONE MILLION TONS OF CRUDE TO INDIA THIS YEAR. OTHER PURCHASES, MOSTLY IN FORM OF PETROLEUM PRODUCTS, MAY ALSO BE MADE FROM CLATEX.

5. CALTEX PLANS TO SEND THEIR REGIONAL V.P., F.W. ZINGARO, PLUS MESSRS. RYAN (REGIONAL DIRECTOR), HARLAND (MANAGER, FINANCE) AND BUCK (LEGAL). THE INDIAN TEAM IS TO BE HEADED BY THE SECRETARY OF PETROLEUM, B.B. VOHRA, SUPPORTED BY SEVERAL OFFICIALS FROM THE MINISTRIES OF PETROLEUM AND FINANCE.

6. WE WILL ASSIST CALTEX, IF IT SO DESIRES, IN ANY WAY POSSIBLE AND WILL REPORT NEGOTIATING DEVELOPMENTS.

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